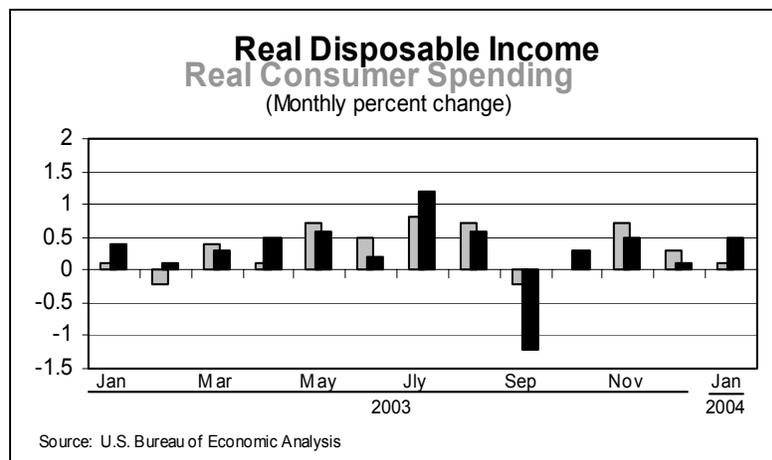




REAL INCOME ROSE IN JANUARY

Real disposable income increased 0.5 percent in January 2004, and real consumer spending increased 0.1 percent, according to estimates released today by the U.S. Bureau of Economic Analysis.



Real disposable personal income is after-tax income, adjusted for inflation. Over the previous 12 months, the average increase was 0.3 percent.

- January's increase partly reflected a reduction in federal income taxes. Tax refunds are projected to increase in 2004; in addition, taxes on incomes that are subject to withholding were lowered by indexation of the tax rates.
- The sizable increases in July and August shown in the chart, and the sizable decrease in September, partly reflected the pattern of advance payments of child tax credits associated with the 2003 tax cut.

January's 0.1-percent increase in real consumer spending compares with an average increase over the previous 12 months of 0.4 percent.

- Spending on services increased more than in December, and spending on nondurable goods (like food and clothing) increased after a small decrease. However, spending on durable goods, led by motor vehicles, decreased substantially after increasing in December.

Since January of last year, real disposable personal income and real consumer spending have both increased 3.7 percent.

In January, 1.8 percent of disposable income was saved, compared with 1.4 percent in December.

Personal income—the total income received by individuals, before taxes—increased 0.2 percent in January; in December, it had increased 0.3 percent. ("Personal income" is *not* adjusted to remove the effects of inflation.)

- More than half of personal income comes in the form of wages and salaries. Wages and salaries increased in January (after a dip in December), but the effect on personal income was muted by decreases in proprietors' income and in rental income.
- Over the previous 12 months, the average increase in personal income was 0.3 percent.

BEA's data—including GDP, personal income, the balance of payments, foreign direct investment, the input-output accounts, and economic data for states and industries—are available on the BEA Web site: <www.bea.gov>.

NOTE: Estimates of personal income and outlays for February, along with revised estimates for July 2003 through January 2004, will be released on March 26, 2004.